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# CANNING PEACH MARKETING REPORT

*A Team Study*



UNITED STATES  
DEPARTMENT  
OF AGRICULTURE

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Honorable Earl L. Butz  
Secretary of Agriculture  
Washington, D.C.

Dear Mr. Secretary:

The Canning Peach Marketing Team resp following report of its study to appr marketing problems of the canning pea

The Team consulted extensively with g extension and university people, and and Federal levels in an effort to ob tion for this study. The findings of the California Industry, Committee, appointed earlier by the late Jerry Fielder, former Director of the California Department of Agriculture, also were studied and evaluated by the Team.

Members of the canning peach industry were most cooperative in providing opinions and facts and many of them expressed appre- ciation for the interest you have taken in their problems.

This has been an interesting and challenging assignment. We appreciate this opportunity to work with the canning peach industry, and we hope the implementation of our recommendations will have beneficial results.

Sincerely,

*Norman C. Healy*

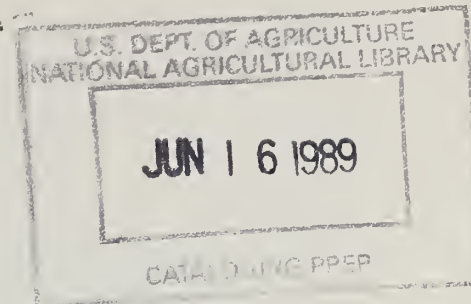
Norman C. Healy  
Leader  
Canning Peach Marketing Team





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DEPARTMENT OF AGRICULTURE  
OFFICE OF THE SECRETARY  
WASHINGTON, D. C. 20250



August 21, 1972

Last February, I appointed five separate teams to study agricultural marketing problems of canning peaches, hogs, apples, potatoes, and eggs. These teams have just submitted their reports to me.

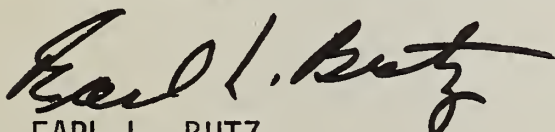
The teams travelled extensively and sought comments from all components of the industries they studied. The reception given them by industry was enthusiastic, for which we are grateful.

The reports contain many recommendations which deserve attention from the Department and the industries involved. To this end, I am asking all agencies of the Department of Agriculture to give prompt and careful attention to these studies. I would like to know which recommendations can and will be implemented, and a time frame for such implementation. I also am asking each agency to indicate those recommendations which have promise but need modification before implementation.

Since the teams' reports are primarily for the benefit of the industries involved, I urge everyone -- producers, wholesalers, retailers, and consumers -- to read these reports carefully and send me their impressions of the recommendations made. I sincerely hope that the teams' reports can serve as a focal point and catalyst in a joint effort by the Department and the industries involved to initiate action to help solve their problems.

I would like to express my appreciation to the members of these teams for their commendable performance. This was an experiment in bringing together expertise from a number of agencies in an effort at problem solving. Thanks to the imaginative dedication of these teams and the quality of these reports the effort has been quite successful.

Credit should also be given to Dr. Jerome Siebert who has coordinated and provided USDA liaison for all of the teams, working under the overall supervision of Richard Lyng, Assistant Secretary for Marketing and Consumer Services.

  
EARL L. BUTZ  
Secretary

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## PREFACE

The purpose of this survey by the Canning Peach Marketing Team was to determine possible means by which returns to growers of canning peaches could be improved while at the same time bringing greater stability to the industry. Reports of the Industry Committee appointed by the former California Director of Agriculture, the late Jerry Fielder, and other available data were reviewed. In addition, growers, canners, marketers, university and government representatives, and others associated with the peach industry in California and in the Southeast were interviewed to obtain a cross section of opinions from all segments of the canning peach industry.

## ACKNOWLEDGMENT

The team is grateful for the wholehearted cooperation of all of those interviewed. Their candid comments and suggestions were invaluable to the team in formulating its suggestions for possible solutions to industry problems.



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## CANNING PEACH MARKETING REPORT -- A TEAM STUDY

### SUMMARY OF RECOMMENDATIONS

#### Clingstone and Freestone Canning Peaches

Intensified research on mechanical harvesting, thinning, and pruning is essential to increase production efficiency.

Researchers should continue their efforts in developing high-flavor varieties of cling peaches that may have more consumer appeal than current varieties and that are also acceptable to growers and canners. State and Federal funds should be provided to help subsidize the high cost of thorough testing of promising varieties in the field, in the cannery, and among consumers.

Tax experts and economists should be assigned by the U.S. Department of Agriculture to study needed changes in the tax structure to eliminate tax shelters that adversely affect farmers.

Research on new and improved peach products and new methods of processing should be expanded. Intensive efforts should be made to encourage the industry to adopt promising research results.

The Food and Drug Administration should be urged to revise its regulations to simplify the introduction and market testing of new products.

USDA should undertake coordinated long-range consumer and institutional market research in cooperation with appropriate industry groups representing canned peaches and other canned fruits.

All canned peaches should be labeled with grade based on U.S. standards oriented to current consumer preferences.

#### Clingstone Canning Peaches

State and Federal officials should assume leadership in improving working relationships between growers and processors.

Marketing orders should not be used as a crutch in an attempt to handle chronic surpluses.

Long-term contracts and a procedure for multiyear pricing should be developed.

The raw product grading system should be overhauled to provide a more definitive economic relationship between the quality of the raw product and its price.

The industry generic promotion program should be continued at the present level.

Greater effort should be made to coordinate the generic promotion, with the promotion carried on by individual canners to obtain maximum benefits from the total industry effort.

Promotion efforts should be reevaluated as additional information is gained through market research on consumer preferences and attitudes.

USDA and the California Department of Agriculture should assist the canning cling peach industry in assessing the advantages and disadvantages of establishing an Export Marketing Board to coordinate the marketing of canned peaches in foreign trade.

USDA, through the Foreign Agricultural Service, should continue to make funds available to promote and merchandise canned peaches and canned peach products.

USDA should actively monitor the subsidization practices of foreign governments and take prompt action as necessary to assure that U.S. producers and marketers can compete in world markets for canned peaches on a fair and equitable basis.

### **Freestone Canning Peaches**

In cooperation with the State experiment stations, the USDA should establish a research team to develop and carry out a coordinated long-term research program on peach tree decline in the Southeast.

The USDA should continue and strengthen its work with the southeastern peach industry to develop improved processing varieties and techniques better adapted to the unique problems of the area.



## STATUS OF CANNING PEACH INDUSTRY

Peaches are grown in 34 States in the United States. Three States--California, South Carolina, and Georgia--account for about 70 percent of total production. In recent years, about half the U.S. peach crop--with an average annual farm value of around \$65 million--has been used for canning. The canning peach industry is made up of two segments. The first, and by far the most important, is the cling peach segment. The second is the freestone peach segment. Practically all cling peaches are processed either as peaches or as a primary ingredient in canned fruit cocktail. Although most freestone peaches are sold fresh, they are canned in several States. The major volume of both clingstone and freestone peaches is canned in California. Most of the rest is canned in Georgia and South Carolina.

### Clingstone Canning Peaches

The clingstone canning peach industry is highly concentrated. In 1971, growers and canners in California accounted for practically all of the cling peaches canned in the United States. Of the 16 processors in California, four accounted for about 70 percent of the cling peaches canned in the State.

California growers of cling peaches have been organized for many years. Farmers owned and controlled four organizations during early 1972. Three of the cooperatives can about 30 percent of the cling peach crop in California. The fourth cooperative is a bargaining association that does not own or operate processing facilities. In most years, it has represented 60 to 65 percent of the growers and 50 to 55 percent of the cling tonnage marketed. In other peach growing areas of the United States, growers are not organized to any great extent.

The cling peach industry in California is highly regulated, having been under some type of control for 37 of the past 50 years. There have been voluntary agreements for 4 years, Federal orders for 2 years, and State marketing orders for 31 years. Under the California Marketing Act of 1937, the following three types of marketing orders have been used: (1) A grower marketing order, (2) a processor marketing order, and (3) a joint grower-processor marketing order. The grower order provides for quality regulations, advertising and sales promotion, prohibition of unfair trade practices, and various types of surplus control. The processor order is concerned primarily with quality regulations and mandatory inspection of incoming fruit. A joint order provides for many of the activities in the other two orders, plus wider authority for controlling surplus than does the grower order. Presently, no joint order is in effect.

The California cling peach industry has had an oversupply in 37 of the past 50 years. There is, and has been, both a general surplus and a

seasonal surplus. Under a general surplus condition, the productive capacity of the acreage planted normally exceeds market requirements. Seasonal surplus is a specific condition wherein the supply of harvested peaches for any one year exceeds the market requirements. During the surplus years, the industry has used various measures--but primarily State marketing orders--to deal with the problem of oversupply.

Dramatic changes have occurred in the cling peach industry in the past 10 years. Some of these are:

1. Acreage and production have increased, while grower numbers have decreased.
2. The number of canners has declined drastically.
3. Conglomerates have taken over many of the canners.
4. An increasing share of peaches is canned by cooperatives.
5. Most promotion and product advertising is now being done by growers on a generic basis.
6. Canners have taken steps to increase profit margins, which have been very low.
7. The policy of retail stores is away from loss leader pricing.
8. Canners have had to carry larger inventories due to substantially reduced retailer inventories.
9. Much of the export market has been lost.

### Freestone Canning Peaches

The freestone canning peach industry is characterized by fluctuating annual supplies, low returns to growers, and highly variable quality, particularly in the Southeast. Canning is a secondary outlet for most growers of freestone peaches. Because most of the freestones go to the fresh market, the supply available for canning fluctuates widely from year to year, depending on supply and demand for fresh peaches. Such fluctuations create inefficiencies in processing and marketing. Returns to farmers for freestones for canning are usually lower than returns for peaches sold in the fresh market. However, increased costs of producing and marketing fresh peaches coupled with instability in the fresh market are contributing to greater interest in the Southeast for developing and expanding the processing market.



## PROBLEM AREAS AND RECOMMENDATIONS

## Clingstone Canning Peaches

The clingstone peach industry in the Southeast is just getting underway on a small scale, and it does not suffer from the type of severe problems that characterize the California cling peach industry. The following discussion, therefore, is focused on the California cling peach industry.

Production

Acreage used for cling peach production in California increased continually for 20 years before 1970. Since then, acreage has declined drastically. California clingstones were grown on about 43,000 acres in 1955 and on about 64,000 acres in 1969. By 1972, the number had decreased to 47,000 acres (table 1 and fig. 1). <sup>1/</sup>

The number of cling peach growers in California decreased from about 2,800 in 1960 to about 1,800 in early 1972. This decline fits the trend characterizing all of agriculture. Supply control measures for cling peach production have been in effect for many years. However, there is no clear evidence that the relative decrease in the number of cling peach growers has been any greater or less than the decrease in the number of producers of agricultural products not under supply control.

Between the midfifties and 1969, cling peach production in California nearly doubled because of the increase in acreage and because of increase in per acre yields. Production has declined in the past 3 years, however, dropping from over 900,000 tons in 1969 to an estimated 650,000 tons in 1972. This reduction resulted from application of stringent surplus control measures under a State marketing order.

Grower prices and total grower returns increased between the mid-fifties and 1969. Grower returns increased from \$30 million to \$40 million in the 1950's to \$57 million in 1969. Since 1969, grower returns have decreased despite increased grower prices. In 1971, grower returns were \$45 million, down \$12 million from the 1969 level.

Since 1950, when major marketing order controls were applied, year-to-year price changes have averaged about 19 percent upward but only 8 percent downward. Since 1950, prices have declined from the previous year in 14 years and increased over the previous year in 8 years.

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<sup>1/</sup> Tables, figures, and an exhibit appear in the appendix.

Total supply of canned California clingstones increased from about 20 million cases in 1958 to 37 million cases in 1969 (table 1). In 1971, supply had decreased to 29 million cases. Exports began to increase in the midfifties and were a significant factor in the disappearance of canned cling peaches during the early sixties. However, exports in 1971 were only 41 percent of those in 1962, when exports of cling peaches reached an all-time high of 6.4 million cases (fig. 2).

Many reasons were given for the surplus situation that has existed in the cling peach industry in California. The canners tended to blame the monopolistic power of the bargaining association. Members of the association blamed the monopolistic power of the canners. Others blamed the marketing order. Although there has been no consensus as to the reasons for the surplus, most growers and canners agree that the industry must find a solution to the problem.

Even with the drastic tree removal programs of 1970, 1971, and 1972, cling peach production still appears to exceed canners' requirements. If production per acre continues at the same rate as the past 5-year average (13.4 tons per acre over the scale or approximately 12 tons per acre of No. 1 fruit), the cannery raw product requirement of some 550,000 tons can be satisfied by 46,000 bearing acres. Projections for the next 3 years indicate a surplus of 4,500 bearing acres in 1973 and 7,500 bearing acres for 1974 and 1975.

It has been suggested that to be efficient and competitive, a producer of cling peaches should have an orchard consisting of six or seven varieties planted on at least 10 acres each, with the varieties having different maturity dates. If this were the case, about 700 to 800 growers--less than half the present number of 1,800--could supply the entire raw product needs of canners.

If these assumptions are accurate, it appears that there are too many resources in the industry. However, because tree fruit production is a high-cost enterprise, the necessary adjustments in resource allocation would result in high social and economic costs.

The newly opened West Side Water Project in the San Joaquin Valley also may complicate the problem of surplus cling peaches. The high water charge, whether the landowner utilizes the water or not, forces the owner to use the land by planting high-value agricultural crops. These crops compete with existing supplies. It is estimated that nearly 400,000 acres of irrigated agricultural land will be available from the West Side Project. There is no evidence that any large amount of this land is being planted to cling peaches. However, the threat of such expansion hangs over the established peach growers.

Tree fruit production is a very high-cost operation. Returns received by producers have not kept pace with costs of labor and other inputs, causing a serious cost-price squeeze on the grower.



One major production problem cited by peach growers is the high requirement for hand labor, which is becoming increasingly scarce and expensive. Up to the present time, for best results in terms of grade and raw product, cling peaches should be hand harvested by means of two or three handpicks. Although the crop is not easily adaptable to mechanization, mechanical harvesting that would utilize only one pick is inevitable.

**RECOMMENDATION:** INTENSIFIED RESEARCH ON MECHANICAL HARVESTING, THINNING, AND PRUNING IS ESSENTIAL TO INCREASE PRODUCTION EFFICIENCY.

To maximize yields and spread the season as widely as possible, cling peach growers currently attempt to plant the proper mix of Extra Early, Early, Late, and Extra Late varieties. Most of the varieties currently favored are so similar in yield, color, and flavor that it is difficult to tell them apart. A few varieties have physiological defects such as gumminess and a high proportion of split pits. High-yield varieties and varieties with good handling and processing characteristics have been preferred by growers and canners at the expense of varieties with better flavor.

The University of California at Davis has introduced 10 new varieties that range from Extra Early to Extra Late and that are more highly flavored than present commercial varieties. Perhaps some of these would be more attractive to consumers, but they have not yet been thoroughly tested in the field and in the cannery.

**RECOMMENDATION:** RESEARCHERS SHOULD CONTINUE THEIR EFFORTS IN DEVELOPING HIGH-FLAVOR VARIETIES OF CLING PEACHES THAT MAY HAVE MORE CONSUMER APPEAL THAN CURRENT VARIETIES AND THAT ARE ALSO ACCEPTABLE TO GROWERS AND CANNERS. STATE AND FEDERAL FUNDS SHOULD BE PROVIDED TO HELP SUBSIDIZE THE HIGH COST OF THOROUGH TESTING OF PROMISING VARIETIES IN THE FIELD, IN THE CANNERY, AND AMONG CONSUMERS.

### Procurement

Cling peaches are either sold to proprietary canners, usually under various types of contracts, or are marketed through cooperative canners. In addition to the three cooperative canners mentioned earlier, there were 13 proprietary canners in California in early 1972. Only two proprietary canners are independent; the others are part of conglomerate corporations. The bargaining association that is owned and controlled by farmers negotiates with most of the proprietary canners for conditions of sales for its members. All the canners generally accept the price that is negotiated between the bargaining association and its cannery customers in accordance with procedures set forth in a master contract.

It is estimated that 50 percent of the cling peach production is marketed under contracts of 10 years or greater duration. A large part of these contracts is tied to grower financing.

Continued surplus and unfavorable raw product prices, along with the loss of export markets, have led to hostility and suspicion between producers and canners. Both must come to realize that they are not just growers or canners but members of the processing food industry striving to gain their share of the consumer's food dollar for their particular product.

RECOMMENDATION: STATE AND FEDERAL OFFICIALS SHOULD ASSUME LEADERSHIP IN IMPROVING WORKING RELATIONSHIPS BETWEEN GROWERS AND PROCESSORS.

For many years cling peach growers have used a State marketing order to deal with surpluses. Surplus control measures have consisted of green drop, tree-removal programs as an offset against green drop, diversion of No. 1 fruit at the cannery, and more restrictive grade and size regulations. Production in 1969 surpassed the 900,000 ton mark, and it became obvious that production of 1,000,000 tons was possible in a succeeding year of good yield as more planted acreage came into bearing (fig. 3). At the same time that production was increasing, the market requirements were decreasing.

Since removal of trees cannot be established as a requirement under the law, a green drop requirement was instituted with the option given to the producer to voluntarily participate in a tree-removal program. This approach has been used during the past three seasons.

Early in 1970, a 25-percent green drop requirement was established with the option of removing one tree for each two trees subject to the green drop requirement. Most producers met this requirement by removing trees that, on the average, had lower yield potential. The result was the elimination of about 12 percent of the potential production when the lower average yield of the removed trees is taken into account. Later in the season and before harvest, an additional 10-percent green drop requirement was established. In addition, diversion of No. 1 fruit at the cannery was required, eliminating about 5 percent of the remaining fruit. The result of these measures was elimination of approximately one-fourth the potential crop.

In 1971, the elimination requirement involved three separate phases. All these measures consisted of a green drop requirement with the alternative to remove trees. In addition, the California Cling Peach Advisory Board (the administrative agency for the producer cling peach marketing order) purchased an estimated 58,000 tons of unsold fruit. The best estimate is that 35 percent of the potential crop was eliminated in 1971.



For 1972, a 25-percent green drop requirement was established, with the alternative to remove trees on a one-for-one basis--that is, for each bearing tree removed, credit was given against one tree subject to the green drop requirement.

From the above, it should be obvious that the industry is wasting resources. Eliminating the equivalent of nearly one crop out of three can hardly be considered a profitable situation under conditions of normal to below normal pricing levels. Furthermore, surplus control programs have encountered a countervailing effect of increased production from new plantings. There is little reason to believe that this situation will not be repeated in the future.

There are several reasons why new orchards were being planted when other farmers were destroying part of their production through surplus control programs:

1. Canner financing of new plantings, often through long-term contracts, have been a means of assuring a steady supply of fruit in the face of surplus control measures.
2. Peach orchards have been attractive as a tax shelter.
3. Cling peaches have been the best alternative use of the land.
4. Surplus control programs and the relatively high prices for peaches have had stabilizing influences.

Many peach growers believe that new plantings should be introduced only in response to greater demand or as replacement of orchards. In 1971, a concerted effort was made by California growers to obtain State legislation authorizing the cling peach industry to develop a marketing order containing provisions for an acreage certification plan. This would have been a form of allotment based on a prior historical period. Producers would have been given certificates for the trees they had in the ground on a given date in 1971 and then would have been permitted to deliver peaches only from the trees for which they had certificates. This proposal, known as Senate Bill 522, was passed by the Legislature but was vetoed by the Governor in the fall of 1971.

It, therefore, appears that legislation to restrict new plantings is not likely or desirable. Also it appears that continued surplus control programs without acreage restriction cannot be tolerated by the industry from an economic standpoint. Cling peach growers are faced, therefore, with a serious economic dilemma.

To achieve a more stable cling peach industry, some consideration has been given to early pricing, multiyear pricing, and long-term contracts between canners and growers. Some growers have pointed out that

pricing of the crop well in advance of the harvest season should lead to more orderly planning for both growers and processors, and that the use of long-term contracts might provide another way to discourage speculative plantings.

Long-term contracting and multiyear pricing are interrelated. Also, long-term contracting and tax shelters are related in that both can affect entry into the business of producing peaches. A producer who has a long-term contract with a canner is assured of a home for his fruit and the canner is assured of an adequate supply of fruit (except for acts of nature). A producer with an assured price based on some kind of formula and an assured home for all his fruit should be able to operate more efficiently and stay in business when prices are lower. A canner with an assured supply at a more stable price should also be able to operate more efficiently. A canner would not be motivated to look for new sources if his supply were assured through long-term contracts and no surplus control. Entry of new producers without contracts or a home for their fruit would be discouraged.

An additional discouragement to entry of new producers would be the elimination of tax shelters. For example, while developers of new cling peach orchards are not required to capitalize development costs, capitalization of such costs is required in the citrus and almond industries. An individual or a business organization with good resources can avoid paying taxes on much of their profits by entering an agricultural enterprise such as peach production and charging the high initial cost of development of an orchard to the current year, thereby deducting it from profits. If the cost of development had to be capitalized over a period of 3 or 4 years, there would be much less incentive to plow annual profits from a nonagricultural source into an agricultural enterprise where profits are not nearly as appealing.

#### RECOMMENDATIONS:

1. MARKETING ORDERS SHOULD NOT BE USED AS A CRUTCH IN AN ATTEMPT TO HANDLE CHRONIC SURPLUSES.
2. LONG-TERM CONTRACTS AND A PROCEDURE FOR MULTIYEAR PRICING SHOULD BE DEVELOPED.
3. TAX EXPERTS AND ECONOMISTS SHOULD BE ASSIGNED BY USDA TO STUDY NEEDED CHANGES IN THE TAX STRUCTURE TO ELIMINATE TAX SHELTERS THAT ADVERSELY AFFECT FARMERS.

#### Grading

Raw product grading was brought up by a number of growers and processors. Many of those interviewed pointed out that there is a need for new



approaches to grading to reduce costs, improve quality, and adapt to mechanical harvesting. The clingstone peach industry in California has operated grading programs under some type of State marketing order for many years. Presently, the grading is being done under a canner order. Every load of cling peaches is delivered to an inspection station, where a sample is selected and inspected to determine compliance with grade standards established pursuant to the marketing order. If the sample does not meet the standards within the allowable offgrade tolerances, the load cannot be certified. Therefore, the canner cannot receive the load and it is returned to the grower. The canner pays the same price for the certified fruit in loads that meet the minimum grade standards regardless of the proportion that is offgrade. Under the terms of the marketing order, payment cannot be made for any offgrade fruit.

At some time during the canning process, the canner must dispose of a quantity of peaches equivalent to the weight of peaches that has been determined to be offgrade in each load. This is known as offgrade or cull diversion, and the amount diverted is carefully checked and weighed by inspectors. It is a costly procedure for the canner.

It was suggested that the offgrade diversion system at the cannery be reviewed. Some growers and canners believe the system can be improved, while others believe it should be eliminated and a system of variable tolerances, perhaps with no loads rejected, be used in its place to encourage the delivery of higher quality fruit.

The lack of competent labor and increasing wage rates have resulted in a reduced number of pickings by hand and are encouraging a shift to mechanical harvesting. It is believed that these factors have contributed to lower quality fruit being delivered to canneries. It was also pointed out that there is too much deterioration of fruit between the time of inspection and the time of canning because of poor handling practices or excessive handling.

We believe that more stringent quality standards should be established and reviewed regularly to improve the quality of the raw product delivered to the cannery. This would also encourage the removal of older orchards, which tend to produce the poorer quality fruit. A price incentive for better quality fruit should then be established.

**RECOMMENDATION: THE RAW PRODUCT GRADING SYSTEM SHOULD BE OVERHAULED TO PROVIDE A MORE DEFINITIVE ECONOMIC RELATIONSHIP BETWEEN THE QUALITY OF THE RAW PRODUCT AND ITS PRICE.**

### **Processing**

For all practical purposes, canning is the only end use for clingstone peaches. There is little flexibility for seeking alternate

processing outlets. The only variations presently used for clings include different sizes of containers, styles of pack, and types of packing medium.

The conventional packs and sizes of cans have served the retail and institutional markets well. However, there may be room for new and more convenient containers, such as the recently introduced easy-open snack packs. New types of flexible "cans" could contribute to greater convenience and reduced costs.

In addition to the established halves and slices, newer styles such as dices or quarters might appeal to children and increase the number of ways to use cling peaches in the menu. A limited purchase of diced peaches by the USDA has been made recently to test acceptability in the School Lunch Program.

The most common medium for canned peaches is heavy sirup. A pack in lighter sirup or in the juice of peaches or other fruits might appeal to a broader range of calorie-conscious consumers. Now that cyclamate packs have been banned, a number of new low-calorie sweeteners are being tested, but have not been approved at this time. Although several flavors and colors for sirup and fruit have been test-marketed in the past without success, other variations in these factors might have more appeal to consumers today.

Canned peaches could be fortified with vitamins and minerals to satisfy the needs and desires of consumers who are becoming increasingly nutrition conscious. An educational program to separate the myths from the facts of human nutrition would be needed to assure success for such a fortification program. Nutritional labeling on containers could help if done correctly. It should enlighten and educate rather than confuse the consumer. Research is needed to determine the level, stability, and the effects of added nutrients on flavor, texture, and color.

A number of highly flavored clingstone varieties have been developed and planted in the field for testing. Since the present canning varieties are bland, a more highly flavored peach should appeal to the consumer. Consumer and market tests are needed on these new varieties.

A problem that has been brought to the attention of canners and retailers is apparent short fill or low drained weight of peaches in heavy sirup. Even though the processor puts as many peaches into the can as possible, the fruit shrinks when it is cooked in sirup, giving the appearance of a short fill. The Western Regional Research Laboratory, Agricultural Research Service, in conjunction with the industry, has started research aimed at finding a method to improve this situation and to increase the drained weight of fruit.

Another project already under way at the Western Regional Research Laboratory is testing the feasibility of preprocessing and holding fruit in large containers for final processing or for shipping to some distant



point for final processing. One advantage would be to smooth out the glut of fruit to be processed at peak season. Bulk shipments of pre-processed fruit to foreign markets would have the additional advantage of lower transportation costs, reduced labor costs, and avoidance of sugar duties.

At present, many thousand of tons of wholesome cling peaches are discarded, which not only wastes a potentially useful product but adds to waste disposal and pollution problems. Even though the market for fruit nectars and juices seems to be saturated, some effort should be made to utilize these surplus peaches as byproducts. Some of this fruit might be used also to satisfy the expanding demand for "pop" fermented beverages, especially since added sugar and flavoring materials can be used in fruit wines.

The standards of identity issued by the Food and Drug Administration tend to discourage innovation in the development of new and improved products. Many industry spokesmen have condemned the stifling effects of these standards. Discussions between FDA and USDA officials as well as industry researchers should be held to determine if these restrictions can be modified.

#### RECOMMENDATIONS:

1. RESEARCH ON NEW AND IMPROVED PEACH PRODUCTS AND NEW METHODS OF PROCESSING SHOULD BE EXPANDED. INTENSIVE EFFORTS SHOULD BE MADE TO ENCOURAGE THE INDUSTRY TO ADOPT PROMISING RESEARCH RESULTS.
2. THE FOOD AND DRUG ADMINISTRATION SHOULD BE URGED TO REVISE ITS REGULATIONS TO SIMPLIFY THE INTRODUCTION AND MARKET TESTING OF NEW PRODUCTS.

#### Marketing--Domestic

The chronic surpluses discussed earlier in this report may be attributable in some degree to overlooked opportunities in the marketing and promotion of canned peaches to maintain or increase demand. Per capita consumption has been drifting downward in recent years (table 2).

Increased prices for canned peaches have been a major reason for lower or static consumption, but there may be other reasons. For example, some members of the industry suspect that canned peaches are used primarily by older homemakers and that younger people are not buying them. If the young cannot be attracted to canned peaches--or if new products are not developed that do attract them--the trend will continue to be downward. Some believe that changing preferences for container size, fruit size, and packing media (heavy sirup versus lower calorie packs such as light sirup or fruit juice) are important reasons for the decline. Still others are



convinced that the market for canned peaches has suffered because the flavor and texture of the product now packed leaves much to be desired.

These factors have been given scant consideration by the industry, which has focused on the characteristics of the raw peach that best meets the needs of the growers and the canners. Others blame particular quality aspects of canned peaches (such as pieces with ragged edges, pit fragments, uneven sizes in the can, and color) for the decline in sales. The role of competing products (including new dessert items) cannot be ignored nor can the institutional market.

A limited study was started recently by the Department on consumers' use of and opinions about noncitrus fruits, including canned peaches. The Cling Peach Advisory Board is considering the initiation of a consumer study in the near future. These two research efforts should provide partial answers to some of the questions about the current and future market for canned peaches. However, these studies will not cover many of the key aspects on which authoritative data would be helpful in planning and evaluating product improvement, new product research, promotion, and educational efforts.

**RECOMMENDATION:** USDA SHOULD UNDERTAKE COORDINATED LONG-RANGE CONSUMER AND INSTITUTIONAL MARKET RESEARCH IN COOPERATION WITH APPROPRIATE INDUSTRY GROUPS REPRESENTING CANNED PEACHES AND OTHER CANNED FRUITS.

Consumers are demanding the right to know what is in the products they purchase. Increasingly, they are determined to protect themselves and insist on the information they require to make meaningful choices in the market place. More explicit labeling on canned peaches should increase consumer confidence in the industry.

Strong consumer interest in nutrition labeling, and evidence that consumers are able to understand and use nutrition labeling, suggest it be considered. Though canned peaches are not extremely high in any one nutrient, they compare favorably with many processed products in the market and are superior to other products that have little or no nutritional value and many chemicals, other additives, and preservatives. More comprehensive labeling of benefit to consumers would include also grade, drained weight, number of servings or halves, packing date, storage directions, recipes, and serving ideas.

Some of this information now appears on the labels of some canned peaches. The team believes that a logical starting point for improvement of the labeling of all canned peaches (for both domestic and foreign consumption) is quality grading. A wide range of quality is currently available in canned peaches, and retail price does not necessarily provide a reliable guide to quality. The consumer should be able



to readily determine what to expect from a given can of peaches, rather than relying on a trial-and-error approach in selecting the quality level that best meets the consumer's needs. If the last system is the only one available, there is always the danger that consumers (particularly younger homemakers who are less experienced in shopping for their households) may unknowingly purchase a grade that is unsuitable for their purposes. Initial purchases of low-quality fruit when high quality is desired may have lasting detrimental effect on future purchases of canned peaches. In short, quality grade labeling would be "good marketing." However, USDA grade standards should be reviewed to determine their current adequacy from the consumers' standpoint in view of changing consumer preferences.

RECOMMENDATION: ALL CANNED PEACHES SHOULD BE LABELED WITH GRADE BASED ON U.S. STANDARDS ORIENTED TO CURRENT CONSUMER PREFERENCES.

### Sales and Promotion

Advertising and sales promotion in the cling peach industry has generated considerable discussion and controversy. Ten years ago, canners withdrew direct financial support from joint grower-canner efforts under a marketing order to advertise and promote cling peaches on a generic basis. Since then, producers have underwritten the promotion program at somewhat reduced levels through a marketing order. The present level of funding amounts to about \$2 million annually.

Some efforts have been made to coordinate the generic promotion of the industry and the brand promotion of individual canners. Also, even though the funds for promotion come from producers, the committee of the California Cling Peach Advisory Board, vested with the responsibility of developing a generic promotion program under the marketing order, is composed of canners as well as growers.

The former California Director of Agriculture set up an industry committee in the fall of 1971 to study the cling peach situation. One major area of study was Promotion and New Product Development. This was turned over to a subcommittee that reached specific conclusions and recommendations that are substantive enough that they should be read and reviewed in their entirety by any interested party (exhibit 1). The subcommittee ended its conclusions and recommendations with the following statement:

In summary, the Committee's recommendation is for the cling peach industry to proceed at the present level of funding with a promotional mix that will help stimulate current sales and movement of the industry's products. At the same time it should undertake consumer and marketing research, including research in the food service field.

This team's investigations and interviews substantiate the determinations and conclusions of the California subcommittee.

#### RECOMMENDATIONS:

1. THE INDUSTRY GENERIC PROMOTION PROGRAM SHOULD BE CONTINUED AT THE PRESENT LEVEL.
2. GREATER EFFORT SHOULD BE MADE TO COORDINATE THE GENERIC PROMOTION, WITH THE PROMOTION CARRIED ON BY INDIVIDUAL CANNERS IN ORDER TO OBTAIN MAXIMUM BENEFITS FROM THE TOTAL INDUSTRY EFFORT.
3. AS ADDITIONAL INFORMATION IS GAINED THROUGH MARKET RESEARCH ON CONSUMER PREFERENCES AND ATTITUDES, THE PROMOTION EFFORTS SHOULD BE REEVALUATED IN LIGHT OF THESE FINDINGS.

#### Marketing--Foreign

The quantity of canned peaches exported by the United States has been inversely related to domestic prices. During the early 1960's, the volumes exported trended downward while both domestic and export prices remained fairly constant. However, when prices rose from \$4.63 per case in the 1966 marketing year to \$5.50 per case in 1967, exports plummeted from 5 million to 2 million cases. Exports remained low in 1968, increased somewhat in 1969, but declined to less than 3 million cases in 1971.

U.S. prices and the resulting export fluctuations can be partially explained by the philosophy of some canners that the domestic market should be taken care of first and excess supplies, if any, should be exported. Some people directly involved in selling canned peaches abroad expressed concern about this philosophy. They strongly believe that because exports have tended to be a market for surplus domestic canned peach production, a long-range merchandising program has not been developed by canners and export volume has suffered.

The canned peach industries of Australia and South Africa--aided by financial assistance from their Governments--have made serious inroads into the European canned peach market. While this export market has been of considerable importance to the U.S. industry, it accounts for less than 20 percent of total U.S. canned production. It has been of major importance to Australia and South Africa, taking about 70 and 90 percent, respectively, of their total packs. Marketers in Australia and South Africa have had governmental help in their marketing programs through subsidized freight rates and promotional allowances. U.S. producers have not had the benefit of Government subsidies that would put them on a competitive price basis with Australia and South Africa in overseas markets.



To quote again from the California subcommittee on Promotion and New Product Development (exhibit 1):

Foreign promotion, using Federal counterpart funds on a matching basis, and thus far confined to Northwestern Europe, has shown promise. Much has been learned from it. Were it not for the competition from lower-priced offerings from Australia and South Africa, results unquestionably would be far more discernable and rewarding. Steps are being taken to combat the competition. One has been the quality emblem project to differentiate California's higher quality and justify the higher price. The other is the present effort to obtain Section 32 funds with which to subsidize a sounder economic basis on which to promote. Meanwhile, in the offing is the availability of Federal counterpart funds to promote in Japan. These funds need not be matched initially. There the economic prospects for promotion are somewhat more favorable. Incomes are relatively high. Local production is limited and the likelihood of competition from Australia is diminished by an unfavorable trade balance.

The U.S. industry is anxious to recoup a greater share of the European market, a feat that may be made easier by the entry of the United Kingdom into the Common Market. However, there are several competitive elements that must be overcome. Those that cannot be readily controlled or influenced are: (1) Preferential import duties; (2) protective tariffs; and (3) illicit price cutting. Some trade elements that can be influenced are: (1) Transport rates and conditions; (2) differential pricing; and (3) other nontariff barriers.

It has been suggested that the industry adopt a two-price system for domestic and foreign markets to maintain volumes more in line with volumes that can be sold in foreign markets in years of heavy supplies and relatively low prices. Other fruit and nut industries in California have used a two-price system to build or expand foreign markets.

Since the Canning Peach Marketing Team began its investigation, the industry has formed a new export organization called the Pacific Agricultural Corporation for Export (PACE) under the Webb-Pomerene Act to gain a greater degree of bargaining power on export freight rates. Some industry members suggested another self-help measure--establishment of a Marketing Board to handle sales of all canned peaches in export.

The domestic canned peach industry has asked the USDA to use Section 32 funds to help combat the subsidization of canned peach exports from Australia and South Africa. U.S. producers are confident of their ability to produce and process a better quality product at lower cost than any other country in the world.

RECOMMENDATIONS:

1. USDA AND THE CALIFORNIA DEPARTMENT OF AGRICULTURE SHOULD ASSIST THE CANNING CLING PEACH INDUSTRY IN ASSESSING THE ADVANTAGES AND DISADVANTAGES OF ESTABLISHING AN EXPORT MARKETING BOARD TO COORDINATE THE MARKETING OF CANNED PEACHES IN FOREIGN TRADE.
2. USDA, THROUGH THE FOREIGN AGRICULTURAL SERVICE, SHOULD CONTINUE TO MAKE FUNDS AVAILABLE TO PROMOTE AND MERCHANDISE CANNED PEACHES AND CANNED PEACH PRODUCTS.
3. USDA, IN COOPERATION WITH THE STATE DEPARTMENT, SHOULD ACTIVELY MONITOR THE SUBSIDIZATION PRACTICES OF FOREIGN GOVERNMENTS. IT SHOULD TAKE PROMPT ACTION AS NECESSARY TO ASSURE THAT U.S. PRODUCERS AND MARKETERS CAN COMPETE IN WORLD MARKETS FOR CANNED PEACHES ON A FAIR AND EQUITABLE BASIS.

**Freestone Canning Peaches**

The freestone peach industry in California does not appear to suffer from the current problems of the cling peach industry in the State or from the type of problems encountered with peaches in the Southeast. Compared with the clingstone grower--who has only the canning outlet--the California freestone grower has several marketing outlets for his product, including the fresh market and canning, freezing, and drying. The serious oversupply problem faced by the California freestone industry a few years back has been brought under control largely by a drastic cutback in acreage so that now supply and demand appear to be pretty well in balance. The following discussion is, therefore, focused on the Southeastern peach industry.

Production

The Southeast is second in importance to the West in peach production, accounting for 25 to 30 percent of the total national supply in recent years. Most peaches produced in the Southeast are freestone varieties developed for fresh consumption.

The farm value of peaches produced in the Southeast, including both fresh and processed, was \$55 million in 1971 or 32 percent of the total U.S. farm value of peaches. Roughly, only 5 percent of this amount was accounted for by peaches used for canning.

South Carolina and Georgia dominate production in the region, producing 70 to 75 percent of the region's yearly total. Production tends to be concentrated among a relatively few large growers. Each grower usually has his own facilities for packing, hydrocooling, and shipping to fresh market outlets.



Annual production in the Southeast since 1959 has averaged around 390,000 tons but has varied widely from year-to-year--from a low of 187,000 tons in 1964 to a high of 496,000 tons in 1961 (fig. 4 and table 3). The wide year-to-year fluctuations occurred primarily as a result of variable weather conditions, such as freezing weather after bloom, lack of adequate chilling hours, or heavy rains or drought during the growing season. The low production in 1964 and 1967 resulted from severe freezes in those years.

Peach tree decline or short tree life is recognized as the most serious cultural problem in the Southeast. The problem is particularly prevalent in areas where peaches have been grown under intensive culture for long periods of time. It is usually associated with old peach sites where new plantings closely follow removal of old trees. In the areas of concentrated production, tree life may be as short as 8 to 10 years. Such short tree life is the principal reason for the decline in peach tree numbers and peach production in the region over the past several decades. The cause or causes of peach tree decline are not fully understood, but it is believed to be associated with a complex of soil, disease, nutritional, and temperature factors.

Tree losses have been especially heavy this year, with losses in Georgia alone placed at 200,000 trees (about 2,000 acres). Heavy losses this year are attributed to the unusually warm temperatures experienced during the winter months. Methods for the control of peach tree decline would be of great benefit to southeastern growers.

**RECOMMENDATION:** IN COOPERATION WITH THE STATE EXPERIMENT STATIONS, THE USDA SHOULD ESTABLISH A RESEARCH TEAM TO DEVELOP AND CARRY OUT A COORDINATED LONG-TERM RESEARCH PROGRAM ON PEACH TREE DECLINE IN THE SOUTHEAST.

Of total southeastern production, 85 to 90 percent is sold to fresh market outlets (table 4). The region accounts for over 50 percent of the total U.S. fresh market supply. The remaining 10 to 15 percent of the crop is processed, with canning being the major processing outlet. Total processed volume has averaged around 50,000 tons in recent years but has varied widely from year-to-year--from a low of about 15,000 tons in 1964 to a high of 81,000 tons in 1968. The volume canned tends to vary more widely than other processing uses (fig. 5).

#### Procurement

The lack of continuity in the supply of peaches available for processing is a major problem of southeastern canners. The yearly volume canned in the past decade has ranged from a low of 5,700 tons in 1964 to a high of 66,000 tons in 1968. The fresh market generally gets first choice on the available supply because of the higher price usually offered by fresh

outlets. The highly variable supply makes it difficult to operate a canning plant efficiently.

The canning market has been used to divert some of the supply from the fresh market during the middle and last part of the season, when fresh market prices weaken. Thus, most peaches canned are midseason and late varieties, with the season normally starting around July 1 and continuing through the middle and last part of August. The canning market assumes major importance during years of large supplies and depressed prices. For example, in 1965 nearly 40 percent of the peach crop in Georgia was sold to processors, while in 1964--a short crop year--less than 10 percent went to processors.

Because peaches to be canned can be picked several days later than those being shipped for fresh consumption, the canning market also serves as an outlet for peaches too ripe for shipment to fresh market outlets.

Peaches are sold to canners on the basis of USDA grades for canning peaches. They are transported from the orchard, usually in bulk containers, to the grading station where grading is carried out by USDA graders. The canner pays only for No. 1 grade peaches.

### Processing

Because the major freestone varieties grown in the Southeast were developed primarily for the fresh market, in general, they do not have good processing characteristics and the quality of the pack is frequently downgraded. Major deficiencies include failure to meet color standards, lack of uniform size in the can, texture too firm or too soft, broken pieces, and blemished halves.

The low quality can be attributed largely to the poor processing characteristics of the varieties available. However, quality might also be improved by better processing procedures. For example, canners frequently pack peaches on a "gate-run" basis, which results in a wide range of size and maturity being packed into the same can.

### Marketing

Southeastern-canned freestones are marketed all through the eastern half of the United States. Shipments go as far north as Minnesota and west to Texas, Oklahoma, Missouri, and Iowa. All parts of the eastern seaboard receive shipments, with New York City being a major market outlet.

To obtain volume movement into a market, southeastern-canned freestones normally have to be priced to sell a few cents a can below California clings.



Because of increased costs of producing and marketing fresh peaches, changing consumer demand, and instability in the fresh market, there is growing interest among all segments of the industry in developing an expanded processing market for peaches in the region. In 1968, one processor in Georgia, with the cooperation of the experiment station, initiated a program to establish high-flavored clingstone varieties for canning in both Georgia and South Carolina. About 100,000 trees have been planted, which are now 3 and 4 years of age. The cling varieties planted provide about a 6-week canning season. This year, 1972, will be the first year a significant volume of these cling varieties will be harvested for processing in the region.

RECOMMENDATION: THE USDA SHOULD CONTINUE AND STRENGTHEN ITS WORK WITH THE SOUTHEASTERN PEACH INDUSTRY TO DEVELOP IMPROVED PROCESSING VARIETIES AND TECHNIQUES BETTER ADAPTED TO THE UNIQUE PROBLEMS OF THE AREA.

#### CONCLUSION

Returns to growers of canning peaches could be improved and the canning peach industry could become more stable through increased production efficiency and through various ways of expanding domestic and foreign market outlets. We recognize, however, that intensive efforts and extensive cooperation on the part of USDA, State governments, universities, and all segments of the canning peach industry will be required to achieve this end.

## APPENDIX

## Tables

Table 1. -- California clingstone peaches

Crop year	Acreage			Trees planted	Trees removed	Tree crop	Har- vested prod.	No. 1 regular canned	Pctg. used regular pch. pack	Yield 24/2½'s per ton
	Bearing	Non- bearing	Total							
	1,000 acres									
1955-56	42.9	16.1	59.0	4.2	2.4	542.0	542.0	498.2	71.0	49.5
1956-57	44.7	17.0	61.7	6.8	2.5	650.0	650.0	558.9	73.2	51.3
1957-58	46.9	20.8	67.7	9.2	3.4	637.0	537.0	485.4	71.1	52.5
1958-59	46.5	24.9	71.4	5.6	1.7	505.0	505.0	461.5	70.8	52.9
1959-60	48.9	31.2	80.1	8.0	4.8	675.0	591.0	538.0	71.3	54.6
1960-61	51.0	29.4	80.4	4.1	6.3	678.0	612.0	544.5	70.7	54.7
1961-62	53.9	23.2	77.1	3.0	3.8	706.0	666.0	581.1	72.5	53.4
1962-63	55.8	20.9	76.7	3.7	4.2	793.0	735.0	637.2	73.4	53.6
1963-64	59.6	16.1	75.7	4.3	2.9	807.0	734.0	675.3	74.4	49.3
1964-65	60.8	15.4	76.2	3.5	3.0	937.0	870.0	778.0	74.0	52.5
1965-66	60.8	18.0	78.8	5.1	3.5	760.0	729.0	623.0	69.8	52.3
1966-67	61.0	19.6	80.6	5.1	3.3	839.0	839.0	738.4	74.6	54.2
1967-68	62.0	21.2	83.2	6.1	2.4	688.0	688.0	600.1	71.1	52.2
1968-69	63.1	22.5	85.6	4.9	4.4	854.0	854.0	754.3	73.1	53.4
1969-70	63.8	21.1	84.9	4.9	3.9	927.0	900.0	774.9	74.0	54.2
1970-71	59.4	20.4	79.8	4.3	9.6	800.0	721.0	616.7	74.5	53.8
1971-72	47.0	15.2	62.2	2.7	13.1	799.0	639.0	569.9	71.3	53.1
Crop year	Season av. ret.		Value of prod.		Canned clingstone peaches					
	First delivery point	Proc. plant door	Total value	Dollars per acre	Carryin	Pack	Total Supply	Movement		
								Total	Domestic	Export
	Dollars per ton		Mil.dols.	Dols.	1,000 cases, equiv.			24/2½'s		
1955-56	80.60	NA	41.9	977	558	17,923	18,481	16,924	15,517	1,407
1956-57	71.00	NA	40.9	914	1,557	21,322	22,879	18,300	15,979	2,321
1957-58	64.00	NA	32.1	684	4,579	18,484	23,063	20,581	17,960	2,621
1958-59	65.00	NA	31.0	667	2,482	17,545	20,027	16,988	14,749	2,239
1959-60	58.70	NA	33.0	674	3,039	21,485	24,524	21,874	18,368	3,506
1960-61	55.90	NA	31.4	616	2,650	21,587	24,237	20,794	16,661	4,133
1961-62	67.50	NA	40.3	747	3,443	22,940	26,383	23,001	17,685	5,316
1962-63	64.10	NA	42.0	754	3,382	25,574	28,956	25,765	19,322	6,443
1963-64	57.60	71.70	39.3	659	3,191	25,089	28,280	25,722	21,000	4,722
1964-65	62.00	76.50	49.0	805	2,558	30,640	33,198	28,007	22,832	5,175
1965-66	69.00	84.70	44.2	727	5,191	23,233	28,424	25,604	21,007	4,597
1966-67	68.50	84.70	51.1	838	2,820	30,348	33,168	29,052	23,985	5,067
1967-68	83.00	98.40	50.1	808	4,116	22,566	26,682	23,631	21,578	2,053
1968-69	76.00	93.20	57.7	915	3,051	29,867	32,918	27,281	24,786	2,495
1969-70	74.00	93.50	57.9	907	5,637	31,479	37,116	28,788	23,793	4,995
1970-71	81.00	99.10	50.2	846	7,458	24,878	32,336	25,573	21,863	3,710
1971-72	79.00	95.70	46.0	882	6,763	21,839	28,602			

NA = Not available.

Source: Cling Peach Advisory Board Orchard and Production Survey; California Canning Peach Association Almanac; Cling Peach Advisory Board Tonnage and Pack Statistics; Cannery League of California; Bureau of Census; California Crop and Livestock Reporting Service.



Table 2. -- U.S. per capita consumption of peaches, 1950-71

Year	Fresh	Canned <sup>1/</sup>	Canned in fruit salad <sup>2/</sup>	Frozen	Dried	Total
			Pounds <sup>3/</sup>			
1950.....	7.8	5.2	0.9	0.20	0.76	14.9
1951.....	9.4	4.2	0.7	0.20	0.83	15.3
1952.....	10.8	4.5	0.9	0.25	0.69	17.1
1953.....	10.3	4.6	0.7	0.28	0.69	16.6
1954.....	10.0	4.9	0.7	0.21	0.69	16.5
1955.....	6.1	4.8	0.9	0.33	0.62	12.8
1956.....	9.0	4.6	0.9	0.29	0.49	15.3
1957.....	8.6	5.1	0.9	0.30	0.49	15.4
1958.....	10.5	5.1	0.9	0.18	0.42	17.1
1959.....	9.7	5.2	1.0	0.28	0.49	16.7
1960.....	9.5	5.3	1.0	0.30	0.42	16.5
1961.....	9.7	5.4	1.0	0.34	0.35	16.8
1962.....	8.1	5.6	1.0	0.38	0.42	15.4
1963.....	7.6	5.8	1.0	0.40	0.35	15.1
1964.....	6.0	5.8	0.9	0.30	0.28	13.2
1965.....	6.9	5.8	1.0	0.40	0.35	14.5
1966.....	6.3	5.4	1.1	0.38	0.28	13.5
1967.....	4.8	5.3	1.0	0.38	0.21	11.7
1968.....	6.7	5.0	1.0	0.36	0.21	13.3
1969.....	6.9	6.0	1.1	0.36	0.12	14.5
1970.....	5.8	5.2	1.1	0.32	0.02	12.4
1971.....	5.7	4.7	1.0	0.36	0.07	11.8

<sup>1/</sup> Canned peaches include canned halves, slices, mixed pieces, and spiced peaches.

<sup>2/</sup> Canned in fruit salad includes peaches canned in fruit cocktail, canned in fruits for salad, and canned in mixed fruits.

<sup>3/</sup> Fresh-equivalent basis. Product weight converted to fresh equivalent by following factors: Canned, 0.873; canned in fruit salad, (for content of peaches only) 0.356; frozen, 1.25; dried, 6.94.

Sources: U.S. Department of Agriculture, Food: Consumption, Prices, Expenditures, U.S. Dept. Agr. Econ. Rpt. 138, July 1968; U.S. Department of Agriculture, Food: Consumption, Prices, Expenditures, Supplement to Agr. Econ. Rpt. 138, Jan. 1970; and Kathryn R. Coleman, Food Consumption and Utilization Section, ESAD-ERS, USDA, Washington, D.C.

Table 3. -- Peach production and utilization, Southern Region, 1959-71

Year	Production (farm sales)	Fresh market	Utilization					Total processed
			Processing market					
			Canning	Freezing	Drying	Other		
	- - - - -	- - - - -	- - - <u>Tons</u> - - -	- - - - -	- - - - -	- - - - -	- - - - -	
1959....	414,150	380,650	23,550	5,400	-	4,550	33,550	
1960....	453,900	399,800	45,150	5,500	-	3,450	54,100	
1961....	495,650	444,650	39,300	7,150	-	4,550	51,000	
1962....	405,150	358,700	33,900	7,800	-	4,750	46,450	
1963....	480,100	412,900	52,800	8,600	-	5,800	67,200	
1964....	186,700	172,000	5,700	4,900	-	4,100	14,700	
1965....	393,800	325,050	55,150	5,900	-	7,700	68,750	
1966....	390,250	337,750	41,050	5,950	-	5,500	52,500	
1967....	280,800	261,950	11,200	3,100	750	3,800	18,850	
1968....	471,000	389,800	66,100	8,100	-	7,000	81,200	
1969....	415,250	354,500	48,100	8,000	-	4,650	60,750	
1970....	364,150	324,850	30,400	5,450	-	3,450	39,300	
1971....	334,050	289,450	33,200	4,850	-	6,550	44,600	

Source: Fruits, Noncitrus, by States, Part 1 (annual reports for 1959-71) SRS-USDA.



Table 4. -- Peach production and utilization percentage,  
Southern Region, 1959-71

Year	Production (farm sales)	Utilization					
		Fresh market	Processing market				Total processed
			Canning	Freezing	Drying	Other	
			Percent				
1959.....	100.0	91.9	5.7	1.3	-	1.1	8.1
1960.....	100.0	88.1	9.9	1.2	-	.8	11.9
1961.....	100.0	89.7	7.9	1.5	-	.9	10.3
1962.....	100.0	88.5	8.4	1.9	-	1.2	11.5
1963.....	100.0	86.0	11.0	1.8	-	1.2	14.0
1964.....	100.0	92.1	3.1	2.6	-	2.2	7.9
1965.....	100.0	82.5	14.0	1.5	-	2.0	17.5
1966.....	100.0	86.5	10.5	1.5	-	1.4	13.5
1967.....	100.0	93.3	4.0	1.1	0.3	1.4	6.7
1968.....	100.0	82.8	14.0	1.7	-	1.5	17.2
1969.....	100.0	85.4	11.6	1.9	-	1.1	14.6
1970.....	100.0	89.2	8.3	1.5	-	.9	10.8
1971.....	100.0	86.6	9.9	1.5	-	2.0	13.4

Source: Fruits, Noncitrus, by States, Part 1 (annual reports for 1959-71) SRS-USDA.



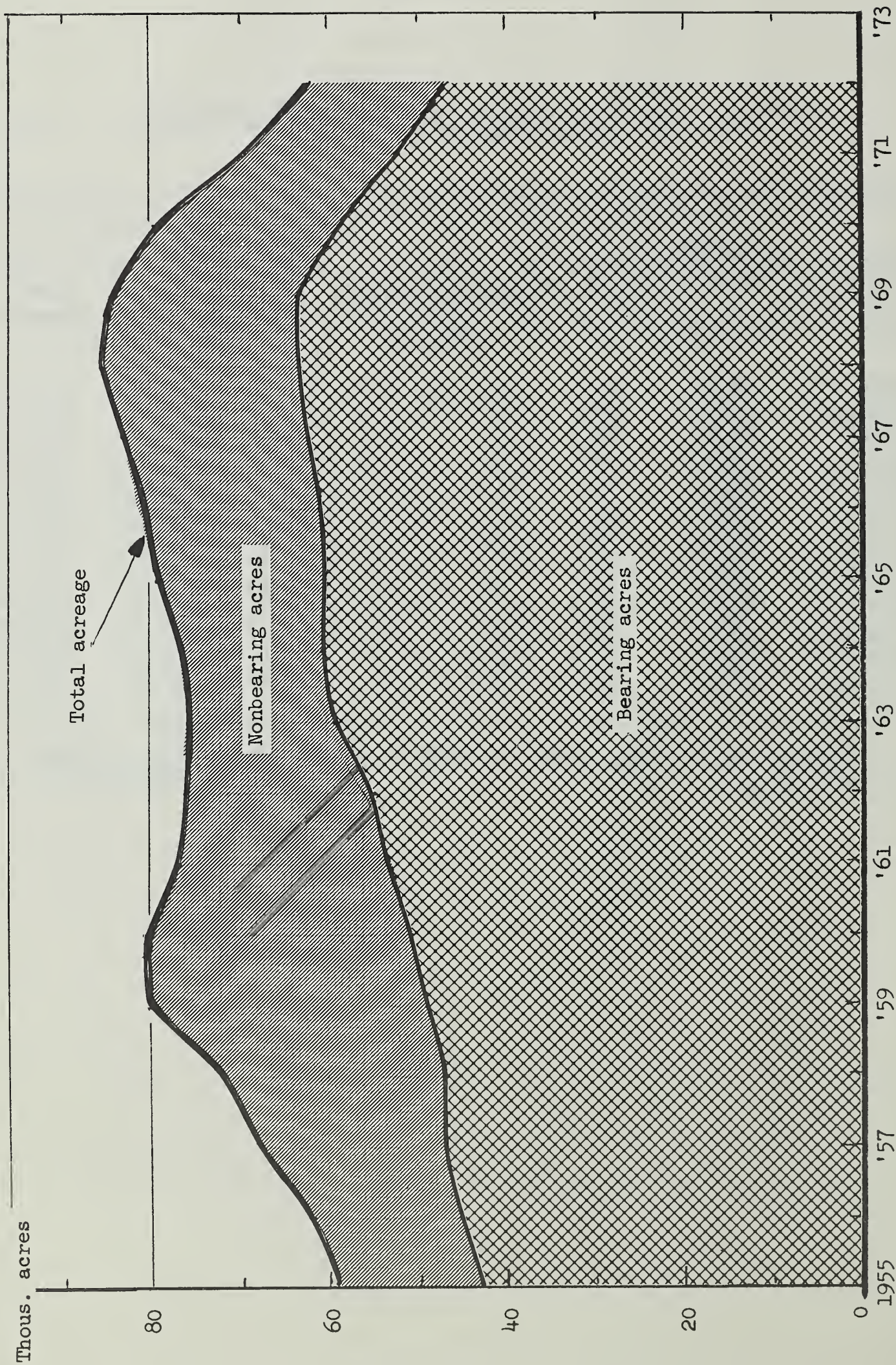


Figure 1.--California clingstone peaches: Acreage and yields  
SOURCE: Cling Peach Advisory Board, Orchard and Production Survey.



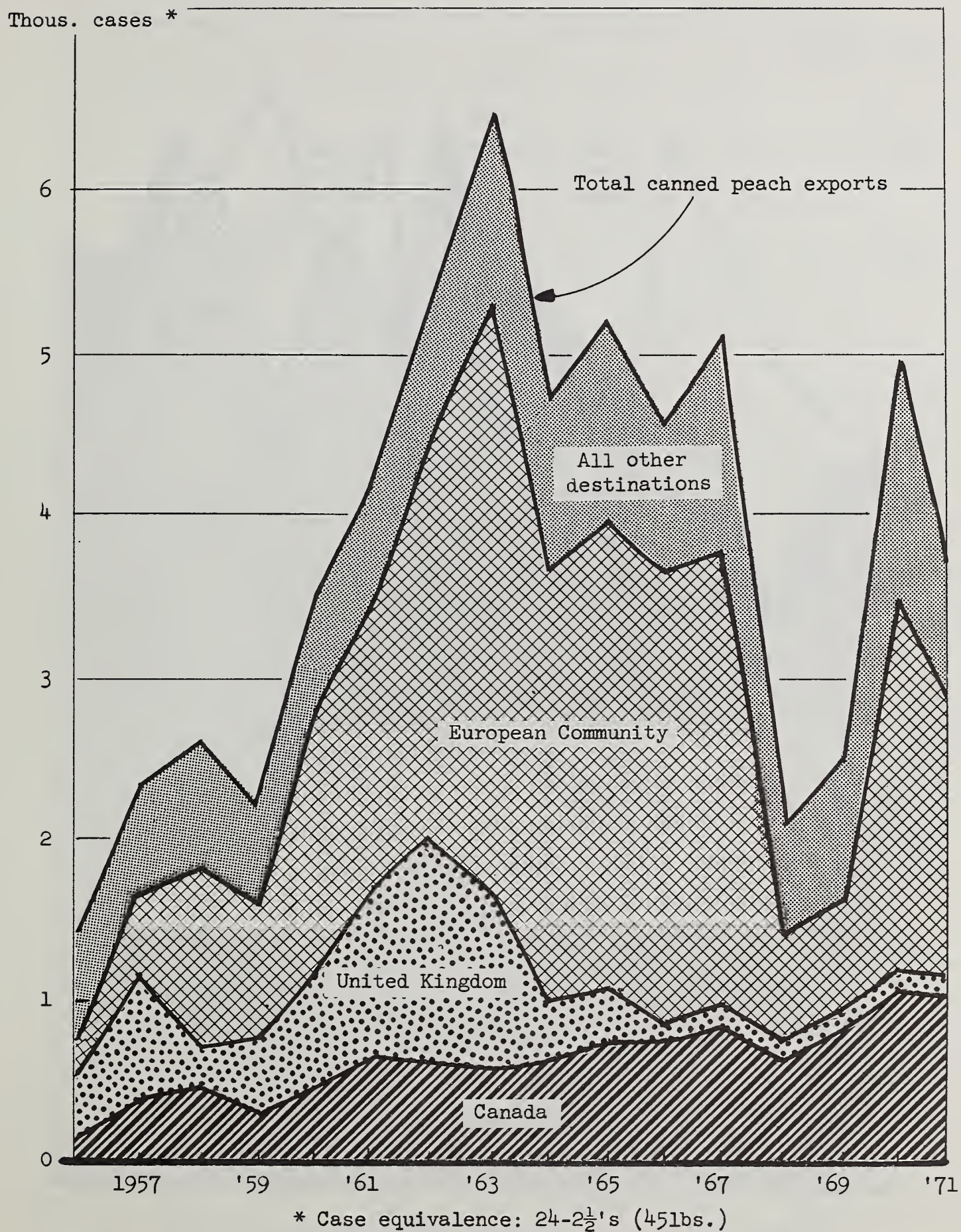


Figure 2.--Peaches, canned: United States exports, by destination

SOURCE: U.S. Bureau of the Census, Census of Agriculture



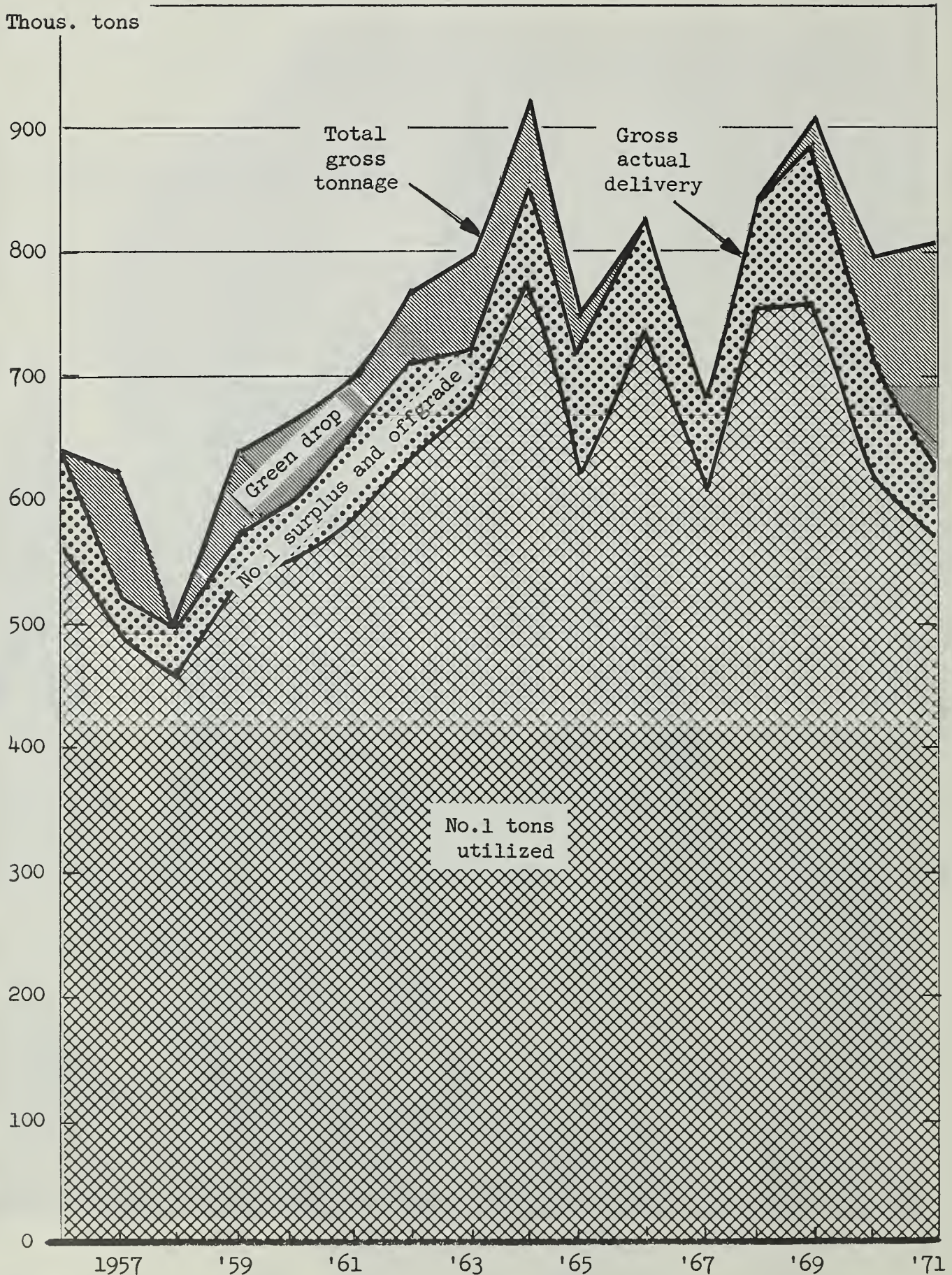


Figure 3.--California cling peaches: Gross tonnage, green drop, offgrade, No.1 tons utilized, 1956-71. (1965 and 1971 not adjusted for losses from brown rot.

SOURCE: Cling Peach Advisory Board, Orchard and Production Survey.



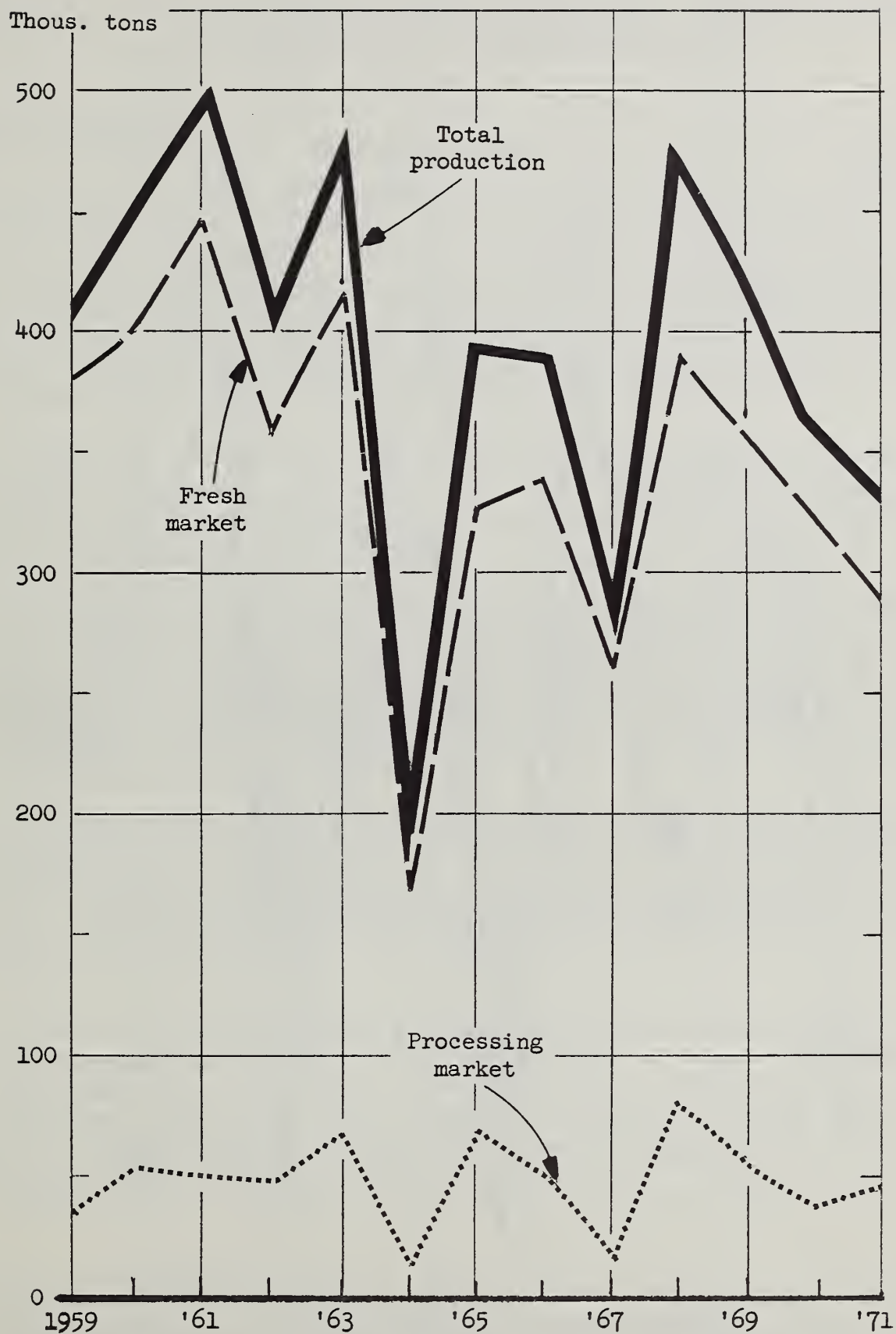


Figure 4.--Production and utilization of freestone peaches,  
Southern Region, 1959-71

SOURCE: U.S. Dept. of Agriculture, Statistical Reporting Service.

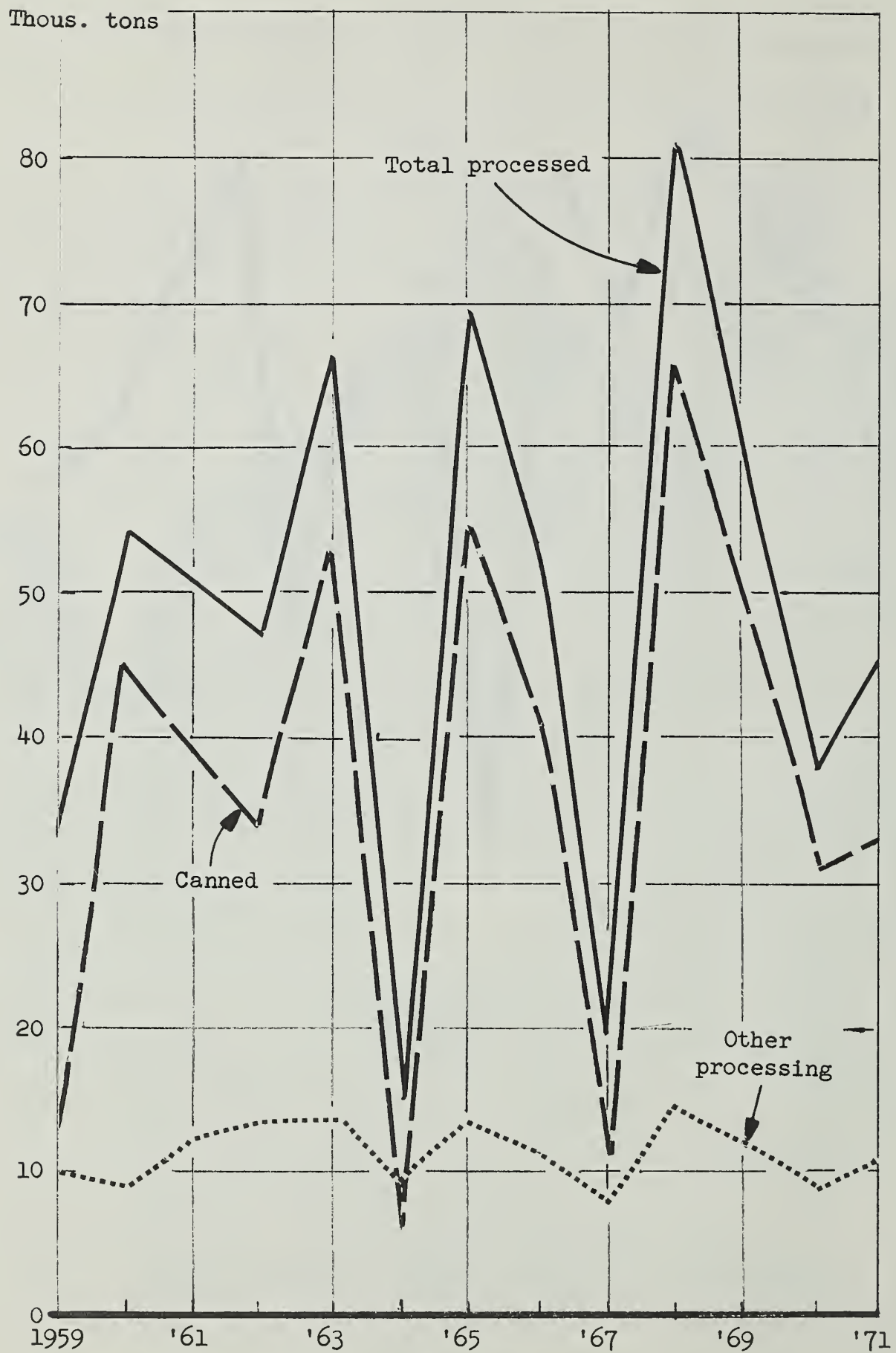


Figure 5.--Processed freestone peaches, Southern Region, 1959-71

SOURCE: U.S. Dept. of Agriculture, Statistical Reporting Service.



Exhibit 1. -- Report of the Special Cling Peach Industry Committee  
on Promotion and New Product Development

The Surplus Problem

The continuing cling peach surplus is a solid indication of demand-supply imbalance. This imbalance must be reduced if all levels of the industry are to be profitable. Remedial strategies center on various measures which restrict supply or augment demand. The industry has both strategies under consideration. Promotion and product development are one part of the total strategy aimed at dynamically balancing supply and demand. Their scope depends on the total strategy's composition and the anticipated market in which the strategy will be executed.

The Promotion and Product Development Committee expects that the future canned cling peach market will be "flat" unless basic changes occur in market relationships. This expectation is based on projections of current relationships into the future:

1. Reformulation of the data in the Hoos-Kuznets Report <sup>1/</sup> suggests that with modestly increasing prices and income, the total canned cling peach movement would increase approximately five percent over a five-year period. Population and income projections give no indication of burgeoning demand for cling peaches. Significant changes in movement might be associated only with severe changes in price.

2. The Dean-King Report <sup>2/</sup> projected California production and acreage required to meet projected 1980 cling peach demand at prices consistent with the 1961-65 average. Current average is within two percent of the total California bearing acreage requirement projected by Dean-King for 1980. If this projection is reasonable, then the surplus condition may be worked off during the coming decade.

3. A more detailed analysis of past marketing relationships for certain fruits was made by Kip and King. <sup>3/</sup> Projections in this report indicated that California bearing acreage of cling peaches in 1980 should be about 17,000 acres less than the current levels if supply and demand are to be balanced at 1961-65 relative prices. This projection suggests that the surplus problem will continue.

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<sup>1/</sup> S. Hoos and G. M. Kuznets, Pacific Coast Canned Fruits F.O.B. Price Relationships 1970-71, Giannini Foundation Research Report No. 315, University of California, July 1971.

<sup>2/</sup> G. W. Dean and G. A. King, Projection of California Agriculture to 1980 and Two Thousand, Giannini Foundation Research Report No. 312, University of California, September 1970.

<sup>3/</sup> E. Kip and G. A. King, The Demand for Selected Deciduous Tree Fruits, Giannini Foundation Research Report No. 309, University of California, June 1970.

The Committee has no basis for accepting one projection over another. However, the projections result from a careful analysis of past relationships and they give no indication of a significantly expanding market. The Committee expects, therefore, that promotion and product development must be aimed not only at changing, but possibly maintaining past relationships.

### Committee Observations

Whatever degree of remedy that is possible from the use of promotional and product development approaches, the need is now. The requirements are both short and long range. Nevertheless, the surplus problem now bearing upon the industry's economy is urgent and compels emphasis on those objectives which offer the greatest benefits in the shortest possible time and at the lowest possible cost.

Translated in practical terms, the primary aim from a marketing standpoint is to reduce or prevent the build-up of annual inventories of canned cling peaches and fruit cocktail. The massive price reductions that would be required under present day competition for trade and consumer demand to accomplish this end is out of the question. The industry simply cannot afford this method.

Underlying the influence of competitive pressures from alternative use products moreover, is what seemingly is a growing consumer indifference to the use of canned cling peaches and fruit cocktail. Consumption preferences and habits have been changing. The emphasis of dietary doctrines and the increasing trend toward away-from-home meals, especially toward the short, fast, eat-on-the-run type of consumption, have not favored the consumption of desserts, much less the use of this industry's products as a type of dessert. Also, the large and increasing percentage of working wives unquestionably has reduced home meal planning and created greater dependency on packaged frozen meals which commonly do not include forms of the product. To be considered also are restaurant prices for side dishes of canned fruit. Seldom are cling peaches and fruit cocktail included in the complete dinner menu.

As for trade demand, retailer interest in such traditional canner merchandising stimulants as price reduction and marginal concessions has noticeably diminished. When it comes to making necessary price increases, however, the resistance is noticeably greater.

Clearly, price and margin adjustments to stimulate inventory disappearance are not the answer. On the other hand, strategically planned and executed product promotion does offer some hope.

The emphasis of generic promotion for canned cling peaches and fruit cocktail has been shifting in recent years from long range goals of broadening the consumer demand base, to the shorter range goal of inducing more immediate and rapid movement - of concentrating less on creating new users



and more upon intensifying the demand that already exists. This shift is being accomplished through more emphasis on merchandising promotion and less emphasis on consumer-oriented advertising. The effect of this shift has been favorable with respect to inventory movement, as well as upon the producer attitude toward Board promotions, and it prompted the development of an innovative retail store merchandising campaign in 1971 which proved even more effective than before. The campaign generated retailer interest and cooperation that enabled feature displays of the product as well as canner tie-in opportunities. The effect was immediate, tangible, and measurable. Above all, it demonstrated that better promotional results can be obtained, and gave strong direction for future planning. Merchandising promotions alone, however, cannot do the job. To be fully effective, they must be coupled with efforts to pre-sell the household food planner and buyer before she comes into the store.

To do the most effective job of pre-selling, however, more information is needed about the present status of consumer preferences and attitudes with which to fully and properly determine the direction and content of persuasive appeals. Particularly important is it to know of how to approach the present day youth market, the scope of which far exceeds that of the "older" market in which knowledge and use of product already has been largely inculcated. Are special messages to the youth market needed in the promotional mix to cultivate this demand? Are cling peaches "old hat" to today's youth which comprises the major segment of the demand base? Is it possible to obtain from this source of consumption the vital, immediate results that are needed?

Product promotion work in the food service market is getting results. Indications are that the benefits of this work justify a doubling of the present effort. The food service market is now supplying an estimated 40 percent of national consumption requirements and is expected to account for 50 percent by 1980. For canned cling peaches and fruit cocktail the obvious implication is that unless these products find at least the same place on the away-from-home menu as they do in the household, there could be a slippage of total utilization. If the prospects for effective promotion in the food service market are as favorable as they now appear, this demand slippage need not occur.

Foreign promotion, using Federal counterpart funds on a matching basis, and thus far confined to Northwestern Europe, has shown promise. Much has been learned from it. Were it not for the competition from lower-priced offerings from Australia and South Africa, results unquestionably would be far more discernable and rewarding. Steps are being taken to combat the competition. One has been the quality emblem project to differentiate California's higher quality and justify the higher price. The other is the present effort to obtain Section 32 funds with which to subsidize a sounder economic basis on which to promote. Meanwhile in the offing, is the availability of Federal counterpart funds to promote in Japan. These funds need not be matched initially. There the economic prospects for promotion are somewhat more favorable. Incomes are relatively high. Local



production is limited and the likelihood of competition from Australia is diminished by an unfavorable trade balance.

In the area of new product development, sufficient profit incentive is lacking for canners to explore for new ideas. Modification of existing lines of products have been made over the years. New ideas, like that of single servings, have been added from time to time; but nothing in the nature of a complete transformation of the product has been given serious consideration. Whatever opportunities may lie in this direction remain to be discovered and the logical source of this exploration would be the Government or the University.

### Conclusions and Recommendations

In light of the foregoing considerations, the Committee concludes and recommends as follows:

1. As long as a surplus of cling peaches exists, the objectives for generic promotion should be primarily concerned with moving annual output. This is not the time to undertake longer range objectives of broadening the demand base by attempting to change negative consumer attitudes or converting non-users to users.

2. The basic promotional approach at the retailer-consumer level of sale, should be two-pronged: (1) push sales through merchandising incentives and support, (2) persuade the housewife to buy and use the product more often. Neither retail merchandising promotions nor consumer-oriented promotions alone can effectively accomplish the job that has to be done.

3. For the present, merchandising promotion, especially during the past season, appears to be in the right direction and should be continued. This needs to be coupled with more aggressive consumer appeals using whatever persuasive means can be conceived from the present knowledge about consumer attitudes and product uses.

4. For later promotions, research work should begin now to learn the present direction of consumer attitudes, preferences, and uses as they relate not only to cling peaches and fruit cocktail in particular but also to the place of all canned fruit in the home and in dietary standards. Emphasis in this research should be given to the influence of changing life styles and food preferences among the youth.

5. The food service market is gradually assuming a degree of importance almost equal to the home use market. Promotional work here needs to be intensified, as more knowledge becomes generally available to the industry. Promotional work in this market area should be continued at its present scale pending the availability of more information.

6. Closer cooperation and coordination with canners, particularly in the designing and scheduling of merchandising promotions, should prove



mutually beneficial to both production segments of the industry. Merchandising promotions can be devised to give basic support for any brand promotions, and the combined effort will multiply the effectiveness of both.

7. Such supplemental promotional activities as product publicity (both consumer and food service oriented), the supplying of educational materials for use in schools and home demonstration work, and cooperating and maintaining liaison with the school lunch and plentiful foods programs of U.S. Department of Agriculture have considerable value in relation to their relatively low cost, and their continuation therefore is fully warranted. Wherever possible, these activities should be coordinated with the merchandising work and be directed toward the same primary objective of increasing annual sales.

8. Sales expansion in foreign markets is governed largely by international political and economic developments. Nevertheless, progress has been made with foreign promotions of cling peaches and fruit cocktail in Northern Europe despite the set back from competitive Australian and South African supplies. This, together with the availability of funds through Foreign Agricultural Service for promoting in Japan prompts the recommendation to continue foreign promotions so long as benefits are commensurate with the Board's investment, and funds are available from FAS.

9. Research that is needed and recommended for promotion, likewise is needed and recommended for new product development work. It is imperative that present trends of consumer preferences and behavior toward foods in general and cling peaches and fruit cocktail in particular be known, before meaningful investments in new product development are undertaken. What applies to new product development investments for direct consumer uses applies equally to investments for uses in the food service field. It is entirely conceivable that marketing research in both the consumer and food service areas could benefit the industry as much in discovering opportunities for new product developments, as in discerning opportunities for new and more effective ways in which to promote.

10. Future levels of funding for program promotional work will be decided by the economic welfare of the industry, by the net incomes of the contributors, and by judgment evaluations of program results. Much depends on how well the program performs in terms of increasing annual sales. In the meantime, the present level of funding should be maintained.

11. In summary, the Committee's recommendation is for the cling peach industry to proceed at the present level of funding with a promotional mix that will help stimulate current sales and movement of the industry's products. At the same time it should undertake consumer and marketing research, including research in the food service field.







